

# Appendix A

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May 2, 2018

Contact: Richard Loconte, 212-709-1691

## DFS FINES LOCKTON COMPANIES \$7 MILLION FOR UNDERWRITING NRA-BRANDED “CARRY GUARD” INSURANCE PROGRAM IN VIOLATION OF NEW YORK INSURANCE LAW

***DFS Investigation Found that NRA “Carry Guard” Insurance Program Unlawfully Provided Liability Insurance to Gun Owners Who May Be Charged with a Crime Involving Firearms***

***Lockton Provided Administrative Services for the NRA, Which Does Not Have a License to Conduct Insurance Business in New York***

***Insurer Will No Longer Participate in NRA “Carry Guard” or Any Similar Program in New York***

Financial Services Superintendent Maria T. Vullo today announced that Lockton Cos., LLC and its affiliate Lockton Affinity, LLC have agreed to pay a \$7 million fine as part of a [consent order](#) with the Department of Financial Services (DFS) for serving as the administrator of the National Rifle Association-branded “Carry Guard” insurance program, through Lockton Affinity, in violation of New York Insurance Law. Today’s announcement follows a DFS investigation that found the NRA “Carry Guard” insurance program unlawfully provided liability insurance to gun owners for certain acts of intentional wrongdoing, and improperly provided insurance coverage for criminal defense for any act of self-defense covered under the policy for gun owners and their resident family members who may be charged with a crime involving a firearm. The NRA, which does not have a license from DFS to conduct insurance business in New York, actively marketed and solicited for the “Carry Guard” program through a website, email, and direct mail, among other channels.

“DFS will not tolerate conduct by any entity, licensed or otherwise, in contravention of New York Insurance Law, especially when that conduct is such an egregious violation of public policy designed to protect all citizens,” said Superintendent Vullo. “Today’s action is part of the Department’s continuing investigation into this matter to uphold and preserve the integrity of New York law.”

The “Carry Guard” program improperly provided coverage in any criminal proceeding against the policyholder or the policyholder’s family members, including coverage for bail money, premiums on bonds, attorney consultation fee and retainer expenses, expenses incurred for the investigation or defense of criminal charges, and costs taxed against the insured or the insured’s resident family member in a criminal proceeding arising out of a shooting.

DFS’s investigation found that Lockton issued 680 Carry Guard insurance policies to New York residents between April and November 2017. As administrator for the Carry Guard program, Lockton carried out such functions as marketing the insurance, binding the insurance, collecting and distributing premiums and delivering policies to insureds. From approximately January 2000 through March 2018, Lockton and the NRA offered at least 11 additional insurance programs to new and existing NRA members in New York and elsewhere. Between approximately January 2000 and March 2018, Lockton collected \$12,056,627 in premiums and \$785,460 in administrative fees from insureds, under the Carry Guard Program and other NRA programs.

Lockton Affinity is licensed by the Department to act as an excess line insurance broker. Excess line coverage offers policy holders an opportunity to obtain insurance that could not be procured from an insurance company that has received a license from DFS to provide specified types of insurance to customers in New York.

DFS’s investigation found that Lockton made inaccurate representations in connection with affidavits of compliance with New York Insurance law related to excess line insurance, which requires brokers to first approach three separate authorized insurers to see if any of them will write the coverage for the risk. The excess line broker, who may place the insurance with an authorized insurer only if all three authorized insurers decline to provide the requested coverage, must seek three declinations for each insured and cannot rely upon declinations obtained with respect to other insureds. In placing the Carry Guard Program and other NRA program insurance policies Lockton only obtained declinations from three authorized insurers once annually for a single policy for each of the insurance programs, and

then relied upon the single annual declination with respect to all other insureds who received policies under the programs.

In addition to the fine, Lockton agreed to refrain from:

- Participating in the Carry Guard insurance program, or any similar program in New York and from providing Carry Guard or similar insurance policies for or to New York residents regardless of where they are written;
- Entering into any other agreement or arrangement, including any affinity-type insurance program involving any line of insurance involving a contract of insurance involving the NRA, directly or indirectly;
- Procuring from unauthorized insurers insurance policies covering New York residents that:
  - Provide liability insurance that may not be offered in the New York State excess line market, specifically:
    - Defense coverage in a criminal proceeding;
    - Liability coverage for bodily injury or property damage expected or intended from the insured's standpoint in an insurance policy limited to use of firearms and that was beyond the use of reasonable force to protect persons or property; and
    - Coverage for expenses incurred by the insured for psychological counseling support.

A copy of the consent order can be found [here](#).

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